# GOVERNMENT OF INDIA
# DISINVESTMENT
# LOK SABHA

UNSTARRED QUESTION NO:1273
ANSWERED ON:02.03.2001
DISINVESTMENT OF NON-CORE COMPANIES
DAHYA BHAI V. PATEL

**Will the Minister of DISINVESTMENT be pleased to state:**

(a) the names of Public Sector Undertakings categorised as `non-core` companies and recommended for disinvestment by Disinvestment Commission; and

(b) the criteria laid down for this purpose?

## Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE IN THE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a) Disinvestment Commission has listed certain PSUs as `Core` and `Non-Core` in the first report of February, 1997 and at the time of making recommendations in case of individual companies in different reports. A list of 37 such PSUs which have been clearly classified by Disinvestment Commission as non-core is at Annexure `I`.

(b) The criteria laid down by Disinvestment Commission in classification of PSUs as core and non-core are as under:

`In sectors which are capital or technology intensive, the most prevalent market structure may be an oligopoly. With the entry of private sector into these capital intensive areas, there may be a tendency towards an oligopolistic market structure. Examples are telecom, power generation and transmission or petroleum exploration and refining industries. It has been felt that the presence of the public sector will be necessary for sometime as a countervailing force and prevent concentration of private economic power. At the same time a proper regulatory mechanism should be put in place in order to regulate industries particularly in a non-competitive market for protecting interests of consumers.

In addition, it may be appropriate to look at basic industries with extensive and dispersed forward linkages. In some of these sectors, PSUs have a considerable market presence and the private sector is yet to mature fully. Hence it may be desirable to continue public sector presence in these basic industries till such time that the market becomes fully competitive.

By this analysis, such industries may be classified as `core` and public sector disinvestment be limited to a maximum of 49%. However, it may be noted that the composition of `core` industries may change over a period of time as further private investments make the market fully competitive and PSUs may not be required to play a special role. In addition, it is expected that a proper regulatory mechanism would be in place to protect the interest of consumers. The question of disinvesting beyond 49% may be considered at that time.

Non-core Group:

Over the last four decades, private sector investments have grown considerably in many industries. The presence of a large number of players including matured private sector players, and the forces of competition in these industries have made these markets fully contestable. These would ensure that the consumer`s interests are well protected. It can therefore be concluded that the initial objectives of the public sector in such industries have been met. Further investments in such industries will be driven more by demand - supply imbalances and Public investment may no longer be necessary. It may be useful to categorise such industries as non-core. The existing public sector in these industries may not have any unique or special responsibilities. Therefore, it would be desirable to disinvest upto 74% or more in such cases.`

Annexure `I`

Annexure referred to in reply to parts (a) & (b) of the Lok Sabha Unstarred Question No.1273 for 2nd March 2001 regarding disinvestment of non-core companies by Shri Dahyabhai Vallabhbhai Patel

| S.No. | Name of PSUs |
|---|---|
| 1. | Modern Food Industries India Ltd.(MFIL) |

2. Indian Tourism Development Corporation (ITDC)

3. HTL Limited (HTL)

4. ITI Limited (ITI)

5. Madras Fertilizers Ltd. (MFL)
6. Manganese Ore India Ltd. (MOIL)

7 Hindustan Copper Limited (HCL)

8. Shipping Corporation of India Ltd. (SCI)

9. Engineering Projects (India) Limited (EPIL)
10. Hindustan Prefab Limited (HGPL)
11. NEPA Ltd. (NEPA)
12. Ranchi Ashok Bihar Hotel Corporation and
13. Utkal Ashok Hotel Corporation Ltd.
14. Electronics Trade and Technology Development Corporation (ET&T)
15. Hindustan Vegetable Oils Corporation Ltd. (HVOC)
16. Hindustan Zinc Ltd. (HZL)
17. Pyrites Phosphates & Chemicals Ltd. (PPCL)
18. Fertiliser and Chemicals Travancore Ltd. (FACT)
19. Indian Petrochemicals Corporation Ltd. (IPCL)
20. National Fertiliser Ltd. (NFL)
21. Hindustan Steel Works Construction Ltd. (HSCL)
22. State Trading Corporation (STC)
23. Minerals and Metal Trading Corporation of India Ltd. (MMTC)
24. Pardeep Phosphates Ltd. (PPL)
25. Projects & Equipment Corporation Ltd. (PEC)
26. MECON Ltd. (MECON)
27. MSTC Ltd. (MSTC)
28. Mineral Exploration Corporation Ltd. (MECL)
29. Sponge Iron India Limited (SIIL)
30. Bharat Heavy Electricals Ltd(BHEL).
31. Hindustan Insecticides Ltd. (HIL)
32. Hindustan Organic Chemicals Ltd. (HOCL)
33. Rashtriya Chemicals & Fertilisers Ltd.(RCFL)
34. Rashtriya Ispat Nigam Ltd.(RINL)
35. Hotel Corporation of India Ltd.
36. Hindustan Latex Ltd.
37. Bharat Aluminium Co. Ltd. (BALCO)+

+ Initially classified as core but later as `non-core`.